

Media/ASX and NZX Release

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UNDERLYING NPATA UP 14.7% TO \$340.1 MILLION STATUTORY NPATA UP FROM \$117.9 MILLION TO \$325.6 MILLION

Downer EDI Limited (Downer) today announced its financial results for the 12 months to 30 June 2019. The highlights are set out below.

- Underlying NPATA (net profit after tax and before amortisation of acquired intangible assets) of \$340.1 million, up 14.7% from underlying NPATA of \$296.5 million in the prior corresponding period and \$5.1 million higher than guidance of \$335 million.
- Statutory NPATA of \$325.6 million, with a \$17million fair value gain offset by the \$31.5 million after tax loss relating to the Murra Warra Wind Farm.
- Underlying NPAT (net profit after tax) of \$290.8 million, up 16.5%.
- Total revenue of \$13.45 billion, up 6.6%.
- Operating cash flow of \$630.2 million, representing cash conversion of 89.0% of EBITDA (earnings before interest, tax, depreciation and amortisation).
- Group underlying EBITA margin of 4.2%, up 0.4%.
- Work-in-hand of \$44.3 billion, up from \$43.5 billion at 31 December 2018.
- Final dividend 14 cents per share (50% franked); total dividends 28 cents per share, up 3.7%.

All the figures above include 100% contribution from Spotless, before minority interests.

The Chief Executive Officer of Downer, Grant Fenn, said the Group's operational and financial performance featured good revenue growth, a strong increase in earnings, and an improved Group EBITA margin. Downer's cash performance remains strong, predictable and reliable with Group cash flow conversion of 89.0% of EBITDA.

"Our Urban Services businesses – Transport, Utilities and Facilities – are continuing to grow and there is a strong pipeline of opportunities across all the markets in which we operate," Mr Fenn said. "There has been a recovery in the mining and resources sector over the past 12 months and this drove revenue growth for our Mining, Energy and Industrials businesses."

Downer reports its financial results under five service lines and the performance of each service line, compared with the prior corresponding period, is summarised below.

Urban Services

Transport

Total revenue of \$4.3 billion, down 2.8%
EBITA of \$242.4 million, up 22.5%
Work-in-hand of \$17.7 billion

Utilities

Total revenue of \$2.5 billion, up 25.0%
EBITA of \$136.1 million, up 19.1%
Work-in-hand of \$4.6 billion

Facilities

Total revenue of \$3.4 billion, down 0.8%
EBITA of \$170.5 million, up 2.3%
Work-in-hand of \$16.6 billion

Mining, Energy and Industrials

Mining

Total revenue of \$1.5 billion, up 8.8%
EBITA of \$76.7 million, up 52.2%
Work-in-hand of \$2.9 billion

Engineering, Construction & Maintenance

Total revenue of \$1.7 billion, up 23.7%
EBITA of \$33.3 million, down 8.3%
Work-in-hand of \$2.5 billion

New Royal Adelaide Hospital

Spotless has reached agreement with the South Australian Government and Celsus in relation to the delivery of services by Spotless at the new Royal Adelaide Hospital. The term sheet, which remains subject to various approvals, includes:

- settlement of historic abatement claims;
- a revised KPI and abatement regime;
- an increase to Spotless' monthly service fee; and
- initiatives to further reduce costs and improve patient care.

The settlement agreement, once formalised, will take financial effect from 1 July 2019. The additional service fee will be paid from 1 July 2019 up until June 2022 when there will be a re-pricing process in accordance with the subcontract terms.

Safety

Downer reported a Lost Time Injury Frequency Rate of 0.57 per million hours worked for the 2019 financial year and a Total Recordable Injury Frequency Rate of 2.70 per million hours worked.

Dividend

The Downer Board resolved to pay a final dividend of 14 cents per share, 50% franked, payable on 2 October 2019 to shareholders on the register at 4 September 2019. Total dividends were 28 cents per share, up from 27 cents per share in the prior year. The unfranked portion of the dividend (50%) will be paid out of Conduit Foreign Income. The company's Dividend Reinvestment Plan (DRP) remains suspended and will not operate for this dividend.

Portfolio review

Downer's shareholder value proposition focuses on driving growth in service-oriented businesses while serving high quality customers and maintaining disciplined cost and capital efficiency. To support this, Downer is undertaking a review to determine whether there are opportunities to enhance the alignment of its portfolio.

An important area of focus for the review is Downer's Mining business and the review will consider strategies that could unlock value for shareholders.

Downer's Mining business is a leader in Australia with a strong and proven track record. Its new management team has driven financial performance in the 2019 financial year, with additional benefits to be delivered in future years. Mining is well positioned to capitalise on its strong market position and pipeline of work to deliver significant earnings growth and improved returns.

Downer will keep shareholders informed of the progress of the review.

Outlook

Downer is targeting NPATA of around \$365 million before minority interests for the 2020 financial year.

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About Downer

Downer is the leading provider of integrated services in Australia and New Zealand and customers are at the heart of everything it does. It exists to create and sustain the modern environment and its promise is to work closely with its customers to help them succeed, using world-leading insights and solutions to design, build and sustain assets, infrastructure and facilities. Downer employs more than 53,000 people across more than 300 sites, primarily in Australia and New Zealand, but also in the Asia-Pacific region, South America and Southern Africa. It also owns 88 per cent of Spotless Group Holdings Limited. For more information visit downergroup.com